

Action No. 1003 05560  
Bankruptcy Action No. 24-115359

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF EDMONTON

IN THE MATTER OF THE  
*BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND THE  
*COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF COW HARBOUR CONSTRUCTION LTD.

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TWELFTH REPORT TO THE COURT  
SUBMITTED BY DELOITTE & TOUCHE INC.  
IN ITS CAPACITY AS MONITOR

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July 5, 2010



## INTRODUCTION AND PURPOSE OF THIS REPORT

1. On April 7, 2010, Cow Harbour Construction Ltd. (“CHC” or the “Company”) filed and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* (“CCAA”) pursuant to an Order rendered by this Honourable Court (the “Initial Order”).
2. The Initial Order provides, inter alia, for the following:
  - a. No proceeding or enforcement process in any court or tribunal shall be commenced or continued against or in respect of the Company or its property, or affecting the Company’s business operations and activities until and including May 3, 2010 (the “Stay Period”).
  - b. All persons having agreements with the Company for the supply of goods and services must continue to provide goods and services in the normal course of business.
  - c. No person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, cancel, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by the Company, except with the written consent of the Company and the Monitor, or with leave of the Court.
  - d. The appointment of Deloitte & Touche (“Deloitte”) as monitor of the Company under the CCAA.
3. On April 29, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until May 21, 2010.
4. On May 21, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until June 4, 2010.
5. On June 4, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until July 6, 2010.
6. This Report (“Twelfth Report”) covers:
  - a. An update on the Company’s operations;
  - b. An amended cash flow for the period ending on September 3, 2010;
  - c. Update on Critical Suppliers claim process;
  - d. Funds segregated in accordance with paragraph 10 of the Order dated May 21, 2010;

- e. Emeco Canada Limited segregated funds;
  - f. The restructuring efforts; and
  - g. The Company's request for an extension of the Stay Period.
7. In preparing this Report, the Monitor has relied upon unaudited interim financial information, the Company's records, the Advisor's third and fourth report and discussions with management of the Company, their financial and legal advisors. While the Monitor has reviewed the information, some in draft format, submitted in the abridged time available, the Monitor has not performed an audit or other verification of such information.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Report are as defined in the previous reports of the Monitor.
9. Copies of the Monitor's Reports, including a copy of this Twelfth Report, the motion record in this CCAA Proceeding and further reports of the Monitor will be available on the Monitor's website at [www.deloitte.com/ca/cowharbour](http://www.deloitte.com/ca/cowharbour). The Monitor has also established a toll free telephone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the Company's restructuring or the CCAA.

#### **UPDATE ON THE COMPANY'S OPERATIONS**

10. The highlights of the Company's financial performance for the period commencing on May 29, 2010 and ending on June 25, 2010 are presented in the cash flow variance analysis annexed hereto as Appendix A. Our comments on the financial performance of the Company during this period are as follows:
- a. Compared with the projected cash flow statement ("Amended Cash Flow Statement") presented by the Company and attached to the Monitor's Eighth Report filed on June 2, 2010, the Company experienced a favorable variance of \$211,000 in respect of cash inflows, related to receipt of invoiced Suncor amounts.

- b. Compared with the Amended Cash Flow Statement, the Company experienced a favorable variance of approximately \$491,000 in respect of the cash outflows. The variance is primarily attributable to the following:
- i. Unfavorable variance of approximately \$667,000 related to increased payroll expenses, source deductions, and union payments. The increase is mainly a result of higher than anticipated overall level of activity.
  - ii. Favorable variance of \$127,000 related to operating leases disbursements.
  - iii. Favorable variance of \$1,149,000 related to supplier and maintenance and repair costs disbursements. As mentioned in paragraph 42 of the Monitor's Tenth Report, it is the Monitor's opinion that maintenance repairs should only be made on equipment which will generate short term revenues. Consequently, this favorable variance is mainly caused by a reduced level of repairs and maintenance and timing issue.
  - iv. Unfavorable variance of approximately \$80,000 in regards to restructuring costs, due to the timing of payment of invoices.
  - v. Unfavorable variance of \$153,000 related to fund transfer for lease categorization dispute due to additional leases in dispute.
11. The net effect of the variances noted above has resulted in a current DIP financing owing balance of approximately \$13,893,000, as at June 25, 2010, which includes both the bank overdraft balance and cheques outstanding. Subsequent to June 25<sup>th</sup>, cash receipts and disbursements continue to be processed through the account, and at as the afternoon of June 30<sup>th</sup> the DIP financing owing balance was nil with a cash balance of approximately \$4.7 million (before outstanding cheques), due to a receipt from Syncrude of approximately \$18.8 million on June 30, 2010.
12. As at the date of this report, all post-filing expenses invoiced and incurred by the Company have been or will be paid in the normal course of business out of the existing working capital of the Company, which includes the DIP Facility of \$15 million.

## AMENDED CASH FLOW

13. The Cash Flow Statement for the period between June 26, 2010 and September 3, 2010, attached as Appendix "B" to this Twelfth Report, has been prepared by management of the Company for the purpose described in the notes to the Cash Flow Statement, using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.
14. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to us by certain of the management and employees of the Company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the support provided by management of the Company for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.
15. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Twelfth Report, or relied upon by us in preparing this report.
16. The Company is using its DIP Facility in order to operate, and as at June 25, 2010 the total amount outstanding on the DIP Facility was \$13,710,000, and there was a bank overdraft of approximately \$73,000 and cheques outstanding of approximately \$110,000 for total indebtedness of \$13,893,000. However, as mentioned earlier in this report, a significant deposit was made on June 30, 2010, which was taken into consideration in preparing the Cash Flow Statement.
17. Below is a summary of the various assumptions used to prepare the Cash Flow Statement:

### *Cash receipts*

- a. The cash receipts from Syncrude and Suncor during the week ending July 2, 2010 totalled \$19,120,000 and were based on actual cash receipts received on June 30, 2010. The Company had projected total receipts of approximately \$14.2 million based on internal TAC data for the month of May. This May receivable was larger due to

collection of unpaid revenues arising from CHC missing the reporting cut-off for payment of a portion of April revenues, that were not collected at the end of May and also because a lot of reconciliation issues for previous months were resolved with Syncrude.

- b. The forecasted receipt of approximately \$7.5 million for the week ending on July 30, 2010 is based on internal TAC Data of the Company for the month of June. Projected cash receipts in the week ending September 3, 2010, are based on the current work orders on hand and additional work to be obtained based on discussion with Syncrude, which will enable the Company to generate approximately \$5.9 million in revenues for the month of July 2010.

#### *Cash disbursements*

- c. All payroll related disbursements (payroll, source deductions and union payments) are composed of a fixed and a variable portion. The payroll related disbursements are lower than the actual results for the month of June. Based on discussions with CHC's management and the current level of activity, the Monitor was anticipated lower payroll disbursements for the month of June. The Monitor understands that CHC's management will make efforts to reduced its payroll related disbursements for the month of July.
- d. As mentioned in the Monitor's Fifth Report, the Company did not include any forecasted capital lease payments due to the legal uncertainty as it relates to those leases.
- e. As mentioned in the Monitor's Fifth Report, the Monitor requested its legal counsel to review all of the Company's leases to determine if they fell within the scope of section 11.01 of the CCAA. After receiving legal guidance, the Monitor requested from the Company that they resume payments for the leases that fell within the scope of section 11.01 of the CCAA. However, some lessors do not agree with the Monitor's legal counsel's classification of their leases as capital leases and requested that additional funds be put aside pending resolution of this disagreement. Consequently, the Cash Flow Statement takes into consideration payments of approximately \$6.2 million between June 26 and September 3, 2010 (monthly payments on the leases described in Appendix C) in a segregated account pending resolution of this matter.

- f. As mentioned in paragraph 42 of the Monitor's Tenth Report, it is the Monitor's opinion that maintenance repairs should only be made on equipment which will generate short term revenues. Consequently, CHC's management forecasted reduced level of repairs and maintenance cost during the forecasted period.
18. The Cash Flow Statement shows that the DIP Facility balance will vary between nil and approximately \$9.9 million. The DIP Facility maximum is \$15.0 million.
  19. Based on the Cash Flow Statement, a total amount of approximately \$23.8 million will be segregated as at September 3, 2010. Details of the segregated funds are:
    - a. Payment in accordance with paragraph 63(b) of the Initial Order for Critical Suppliers (\$5.0 million)
    - b. Payment in accordance with paragraph 63(f) of the Initial Order to be paid in accordance with further direction of the Court (\$5.2 million)
    - c. Fund transfer for true lease versus capital lease disagreement (\$11.9 million)
    - d. Funds remaining in trust with Emeco's counsel pending resolution of this matter (\$1.7 million)

#### **CRITICAL SUPPLIERS CLAIM PROCESS**

20. In accordance with paragraph 11 of the Order dated May 21, 2010, on May 28, 2010 the Monitor sent the Proof of Claim form.
21. In accordance with paragraph 11(c) of the Order dated May 21, 2010, the creditors who wanted to file a Proof of Claim had until June 16, 2010 to do so.
22. Based on the Monitor's records, a total of 62 Proof of Claim forms were received totaling approximately \$25.1 million. As at July 5, 2010, the review process of the Proof of Claim form was still ongoing. In order to conclude on the validity of those claims, the Monitor has developed and is working on the following action plan:
  - a. Determine with CHC's representatives the specific location of each item of equipment since CHC first missed payment;

- b. Determine the specific use of each item of equipment in CHC's operations since CHC first missed payment;
- c. Determine if each item of equipment is reasonably required to be available for the purpose of the work since CHC first missed payment;
- d. Reconcile with CHC's representatives the amount claimed in the Proof of Claim by the various creditors.

23. The Monitor will report back to this Honorable Court once the review process has been finalized.

**FUNDS SEGREGATED IN ACCORDANCE WITH PARAGRAPH 10 OF THE ORDER DATED MAY 21, 2010**

24. In accordance with paragraph 10 of the Order dated May 21, 2010, CHC shall pay to the Monitor's counsel in trust, monthly payments from April 1, 2010 which would have been required to be paid by CHC to lessors under:
- a. those leases in which there is a dispute as to categorization as a capital lease; and
  - b. those leases which the Monitor's counsel has not been able to categorize as either capital leases or true leases.
25. The Monitor's counsel shall hold such funds in trust pending determination of entitlement thereto under Section 11.01 of the CCAA by Court Order.
26. In accordance with the above, a total amount of \$5,692,093 was transferred to the Monitor's counsel as at June 30, 2010. This amount represented the total obligations under the various leases in dispute for the period between April 1, 2010 and June 30, 2010.
27. The Monitor requested that an additional amount of \$2,037,000 be transferred to the Monitor's counsel on July 5, 2010 (Appendix C). This amount represents the total obligations under the leases in dispute for the period between July 1, 2010 and July 31, 2010.



28. A request for a wire transfer was made on July 5, 2010 to RBC by CHC's management. However, RBC advised the Company that they will ask for directions from this Honourable Court on July 6, 2010 before initiating this wire transfer.
29. If the additional amount of \$2,037,000 is transferred, a total amount of approximately \$7,730,000 will have been transferred to the Monitor's counsel in accordance with paragraph 10 of the Order dated May 21, 2010.

#### **EMECO CANADA LIMITED SEGREGATED FUNDS**

30. As stated in the Monitor's Third Report, Emeco Canada Limited's legal counsel is holding \$1.7 million of funds.
31. On June 24, 2010, Emeco Canada Limited on a "without prejudice basis" provided a letter, along with numerous documents, detailing reasons as to their entitlement to these funds. The Monitor and the Monitor's counsel are reviewing this matter in detail with an intent to meet with Emeco Canada Limited representatives to resolve this matter, failing which the Monitor will seek directions from the Court.

#### **RESTRUCTURING EFFORTS**

32. On June 30, 2010, the Advisor filed its third report ("Advisor's Third Report") in order to provide this Honourable Court with the status on the sale and refinancing process. As outlined in the Advisor's Third Report, between June 16 and June 21, 2010, a total of eight expression of interest ("EOI") were received by the Advisor and the Sale Committee decided to solicit binding offers from three parties.
33. The Sale Committee twice extended the deadline for receipts of binding offer. The potential purchasers had until 5:00 p.m. on June 29, 2010 to submit their binding offers.
34. On July 5, 2010, the Advisor filed its fourth report ("Advisor's Fourth Report") in order to advise this Honourable court that he accepted on behalf of the Company a binding offer subject to Court approval by 4:15 p.m. on July 9, 2010.

35. Attached as Appendix F to the Advisor's Fourth Report is a summary prepared by the Monitor comparing the binding offers received. This "Summary of Binding Letters of Intent" was prepared by the Monitor for use by the Sale Committee, Ernst & Young and the Advisor in assessment of the binding offers and to assist in the decision as to which to accept. We have not appended the Summary of Binding Letters of Intent to this report as we understand interested parties wish to address confidentiality concerns with the Court.
36. As mentioned in the Advisor's Fourth Report, in order to comply with the terms of the accepted offer, the Advisor recommends a timeline with a closing date of the sale and refinancing process of July 30, 2010.
37. In order to come up with such a tight timeline, the Advisor assumes that a Plan of Arrangement will be filed, approved by the creditors and sanctioned by the Court before July 29, 2010. The Monitor is of the opinion that this timeline will be difficult to achieve if we take into consideration that a claims process needs to be put in place for the creditors which did not consider themselves as critical suppliers. Consequently, the Monitor is of the opinion that the closing date could be delayed by a few weeks.

#### **EXTENSION TO THE STAY OF PROCEEDINGS PERIOD**

38. Pursuant to the Third Extension Order dated June 4, 2010, a Stay Period was granted until July 6, 2010.
39. The Company notified the Monitor of its intention to request a further extension until September 1, 2010 of the Stay Period to allow the Company to develop and submit a plan of arrangement to its creditors under the CCAA.
40. It is the Monitor's opinion that it is necessary to extend the Stay Period in order for the Company to conclude a transaction with the accepted bidder.
41. Over the next nine-week period, the Company and its advisors will be focusing their efforts on:
  - a. Finalizing a transaction with the accepted bidder;
  - b. Developing a plan of arrangement;

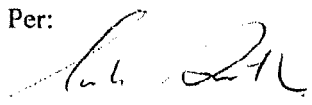
- c. Initiating a claim process for the creditors who did not consider themselves as critical supplier;
  - d. Finalizing the proof of claim process with the objective of determining the quantum of the Critical Suppliers; and
  - e. Hold a meeting of creditors.
42. In support of the Company's request for an extension of the Stay Period, the Company has provided a Cash Flow Statement for the period from June 26 to September 3, 2010, which is attached hereto as Appendix B. Based on the Cash Flow Statement, the Company will have sufficient funds to operate until September 3, 2010.
43. However, the Monitor understands that a Motion will be brought before the Court on July 6, 2010 by RBC to appoint a receiver. Consequently, this could have a significant impact of the ability of the Company to submit a plan of arrangement to its creditors.
44. It is the Monitor's view that the Company has acted in accordance with the Initial Order.
45. It is the Monitor's opinion that an extension of the Stay Period will allow the Company to conclude a transaction with the accepted bidder.
46. Based on our discussions with the Company's representatives and the Advisor, it is the Monitor's opinion that the Company has acted and continues to act in good faith and with due diligence, and might be able to present a plan of arrangement in the upcoming months.

The Monitor respectfully submits to the Court this, its Twelfth Report.

Dated at Edmonton, this 5th day of July, 2010

Deloitte & Touche Inc.  
in its capacity as Monitor of  
Cow Harbour Construction Ltd.

Per:

  
Gordon Smith  
Senior Vice-President

# Appendix A

Cow Harbour Construction  
Cash Flow Variance Analysis  
July 5, 2010

APPENDIX A

	Sat 25-May-10		Period of (inclusive) to		Sat 05-Jun-10		Period of (inclusive) to		Sat 12-Jun-10		Period of (inclusive) to	
	Actual Cash Flow	Forecast Cash Flow	7 days	7 days	Actual Cash Flow	Forecast Cash Flow	7 days	7 days	Actual Cash Flow	Forecast Cash Flow	7 days	7 days
<b>(5000's CAD)</b>												
<b>Cash Receipts</b>												
Supplier cash receipts	10,216	10,216	6	6	6	6	6	6	6	6	6	6
Syncrude cash receipts	-	-	-	-	-	-	-	-	-	-	-	-
Release of Syncrude holdbacks	-	-	-	-	-	-	-	-	-	-	-	-
Other cash receipts	-	-	-	-	-	-	-	-	205	-	-	205
Rec'd from Syncrude re: Emeco Canada Limited	-	-	-	-	-	-	-	-	-	-	-	-
Corporate income tax receipts	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 10,216	\$ 10,216	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 205	\$ 205	\$ 6	\$ 205
<b>Cash Disbursements</b>												
Payroll	593	600	(7)	500	670	500	170	500	669	500	169	500
Source deductions	287	287	(0)	223	284	223	41	223	308	223	85	223
Union payments	-	-	-	317	317	4	(0)	4	-	-	4	(4)
Other payroll/life insurance/WCB	63	25	38	-	-	-	-	-	-	-	-	-
GST and corporate taxes	390	393	(3)	-	-	-	-	-	-	-	-	-
Loans/capital Leases	-	-	-	-	-	-	-	-	-	-	-	-
Operating leases, misc. rentals	-	215	(215)	-	-	-	-	-	88	-	-	88
Supplier payments	785	343	442	220	220	260	(40)	260	280	260	20	260
Repairs and maintenance	432	507	(75)	146	146	507	(961)	9	9	507	(498)	507
Restructuring costs	228	187	41	268	268	187	81	117	117	187	(70)	187
Interest on DIP loan	16	16	(0)	-	-	-	-	-	-	-	-	-
Interest on operating line	2	2	(0)	-	-	-	-	-	2	-	-	2
Interest on EX1900	18	17	1	-	-	-	-	-	-	-	-	-
Payments on new EX1900	500	500	0	500	-	500	(500)	-	-	-	-	-
Payment in accordance with par. 63(b) of initial order (critical suppliers)	-	-	-	-	-	-	-	-	-	-	-	-
Payment in accordance with par. 63(f) of initial order (excess cash)	-	-	-	-	-	-	-	-	-	-	-	-
Fund transfer for true lease/capital lease disagreement	947	947	(0)	2,217	2,371	154	154	-	-	-	-	-
Misc. (unplanned expenses)	50	50	(0)	50	-	50	(50)	-	120	50	70	50
Paid to Emeco Canada Limited	-	-	-	-	-	-	-	-	-	-	-	-
Funds remaining in trust account re: Emeco Canada Limited	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Disbursements</b>	\$ 4,240	\$ 3,566	\$ 674	\$ 4,257	\$ 4,257	\$ 4,764	\$ (508)	\$ 4,764	\$ 1,593	\$ 1,730	\$ (137)	\$ 1,730
<b>Net cash inflow (outflow)</b>	\$ 5,976	\$ 6,650	\$ (674)	\$ (4,764)	\$ (4,250)	\$ (4,764)	\$ 515	\$ (1,388)	\$ (1,388)	\$ (1,730)	\$ 342	\$ 342
Bank, opening (including o/s cheques)	(38,224)	(38,614)	390	(32,864)	(32,248)	(32,864)	(284)	(37,498)	(37,498)	(37,728)	230	(37,298)
Bank, ending (including o/s cheques at 25-Jun-10)	(5,976)	(6,650)	674	(4,250)	(4,250)	(4,764)	(515)	(1,388)	(1,388)	(1,730)	(342)	(1,730)
<b>Allocation of Bank, end of period</b>												
Payment against pre-CCAA bank line	-	-	-	-	-	-	-	-	-	-	-	-
Pre-CCAA bank line, ending	(6,979)	(6,955)	(24)	(26,269)	(26,269)	(11,458)	230	(26,269)	(26,269)	(26,265)	-	(26,265)
Current account/ (DIP financing), and cheques OS as at June 25, 2010	(33,246)	(32,964)	(284)	(37,498)	(37,498)	(37,728)	230	(38,966)	(38,966)	(39,458)	572	(39,458)
<b>Cumulative net cash inflow (outflow)</b>	\$ 5,976	\$ 6,650	\$ (674)	\$ 1,886	\$ 1,726	\$ 1,886	\$ (160)	\$ 338	\$ 338	\$ 156	\$ 182	\$ 182
<b>Selected Cumulative Disbursements</b>												
Payment in accordance with par. 63(b) of initial order (critical suppliers)	5,000	5,000	-	5,000	5,000	-	-	5,000	5,000	5,000	-	5,000
Fund transfer for true lease/capital lease disagreement	3,322	3,322	-	5,233	5,233	-	-	5,233	5,233	5,233	-	5,233
Funds remaining in trust account re: Emeco Canada Limited	1,700	1,700	-	1,700	1,700	-	-	1,700	1,700	1,700	-	1,700
<b>Total segregated funds</b>	\$ 15,255	\$ 15,255	\$ -	\$ 17,972	\$ 17,972	\$ -	\$ 154	\$ 17,828	\$ 17,828	\$ 17,472	\$ 154	\$ 17,472

Cow Harbour Construction  
Cash Flow Variance Analysis  
July 5, 2010

APPENDIX A

	Period of (includes)		Period of (inclusive)		Cumulative Period of (inclusive)	
	Sat 19-Jun-10 to 25-Jun-10		Sat 25-May-10 to 25-Jun-10		Sat 25-May-10 to 25-Jun-10	
	Actual Cash Flow	Projected Cash Flow	Actual Cash Flow	Projected Cash Flow	Actual Cash Flow	Projected Cash Flow
<b>Cash Receipts</b>						
Suncor cash receipts	\$ -	\$ -	-	-	6	6
Synchrude cash receipts	-	-	-	10,216	10,216	(0)
Release of Synchrude holdbacks	-	-	-	-	-	-
Other cash receipts	-	-	-	205	205	205
Rec'd from Synchrude re: Emeco Canada Limited	-	-	-	-	-	-
Corporate income tax receipts	-	-	-	-	-	-
<b>\$</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,427</b>	<b>\$ 10,216</b>	<b>\$ 211</b>
<b>Cash Disbursements</b>						
Payroll	\$ 622	\$ 500	122	2,553	2,100	453
Source deductions	311	223	88	1,150	936	214
Union payments	-	-	-	317	317	(0)
Other payroll/life insurance/WCB	-	67	(67)	63	100	(37)
GST and corporate taxes	-	-	-	390	393	(3)
Loans/capital leases	-	-	-	-	-	-
Operating leases, misc. rentals	-	-	-	88	215	(127)
Supplier payments	126	260	(134)	1,412	1,123	289
Repairs and maintenance	2	507	(505)	590	2,028	(1,438)
Restructuring costs	215	187	28	828	748	80
Interest on DIP loan	-	-	-	16	16	(0)
Interest on operating line	-	-	-	4	-	4
Interest on EX1900	-	-	-	18	17	0
Payments on new EX1900	-	-	-	500	500	-
Payment in accordance with par. 63(b) of initial order (critical suppliers)	-	-	-	-	-	-
Payment in accordance with par. 65(f) of initial order (excess cash)	-	-	-	-	-	-
Fund transfer for true lease/capital lease disagreement	-	50	(50)	3,317	3,164	153
Misc. (unplanned expenses)	-	-	-	120	200	(80)
Paid to Emeco Canada Limited	-	-	-	-	-	-
Funds remaining in trust account re: Emeco Canada Limited	-	-	-	-	-	-
<b>Total Cash Disbursements</b>	<b>\$ 1,276</b>	<b>\$ 1,793</b>	<b>\$ (518)</b>	<b>\$ 11,365</b>	<b>\$ 11,653</b>	<b>\$ (491)</b>
<b>Net cash inflow (outflow)</b>	<b>\$ (1,276)</b>	<b>\$ (1,793)</b>	<b>\$ 518</b>	<b>\$ (938)</b>	<b>\$ (1,637)</b>	<b>\$ 698</b>
Bank opening (including o/s cheques)	\$ (38,886)	\$ (39,458)	\$ 572	\$ (39,224)	\$ (39,614)	\$ 390
Bank ending (including o/s cheques at 25-Jun-10)	\$ (40,163)	\$ (41,251)	\$ 1,088	\$ (40,163)	\$ (41,251)	\$ 1,088
Change	\$ 1,276	\$ 1,793	\$ (518)	\$ 839	\$ 1,637	\$ (698)
<b>Allocation of Bank ending of period</b>						
Payment against pre-CCAA bank line	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pre-CCAA bank line ending	\$ (26,269)	\$ (26,269)	\$ -	\$ (26,269)	\$ (26,269)	\$ -
Current account (DIP financing), incl cheques OS as at June 25, 2010	\$ (13,893)	\$ (14,982)	\$ 1,088	\$ (13,893)	\$ (14,982)	\$ 1,088
Cumulative net cash inflow (outflow)	\$ (839)	\$ (1,637)	\$ 698	\$ (839)	\$ (1,637)	\$ 698
<b>Selected Cumulative Disbursements</b>						
Payment in accordance with par. 63(b) of initial order (critical suppliers)	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ -
Payment in accordance with par. 65(f) of initial order (excess cash)	5,233	5,233	-	5,233	5,233	-
Fund transfer for true lease/capital lease disagreement	5,693	5,539	154	5,893	5,539	154
Funds remaining in trust account re: Emeco Canada Limited	1,700	1,700	154	1,700	1,700	-
<b>Total segregated funds</b>	<b>\$ 17,626</b>	<b>\$ 17,472</b>	<b>\$ 154</b>	<b>\$ 17,626</b>	<b>\$ 17,472</b>	<b>\$ 154</b>

# Appendix B





NOTES TO THE CASH-FLOW STATEMENT

**NOTE A – PURPOSE**

The purpose of these cash-flow projections is to determine the liquidity requirements of the Company during the Companies' Creditors Arrangement Act ("CCAA") proceedings.

**NOTE B - DEFINITIONS**

1) CASH-FLOW STATEMENT

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the CCAA based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- i. The Company believes reflect the most probable set of economic conditions and planned courses of action, Suitably Supported that are consistent with the plans of the Company; and
- ii. Provide a reasonable basis for the Cash-Flow Statement.

4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industry/market participants engaged in similar activities as the company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

**NOTE C - ASSUMPTIONS**

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<b>Opening cash balance</b>	Based on review of bank balances and includes outstanding cheques	x	
Exchange Rate	Exchange rate used by management		

	are the following [USD/CAD = 1.00/ 1.00]		
<b>Forecast Cash Receipts</b>			
Current A/R collections - Syncrude	Based on a combination of historical revenue figures, actual receipts from Syncrude, recent data from the TAC system (Syncrude revenue collection system), as well as the Company's work order log.  Payment is received within 30 days of each month end.	X	
<b>Forecast Cash Disbursements</b>			
Payroll  Source deductions	Based on a combination of historical compensation levels adjusted for estimated changes in revenues & management's estimate of current salaried employees.  Payments are based on weekly pay cycle.	X	
Union payments	Based on historical compensation levels adjusted for estimated changes in revenues.  Payments are based on a monthly pay cycle.  These amounts include health insurance, pension, and training deductions.	X	
Other payroll/life insurance/WCB	Based on a combination management estimates, actual payment data, and third party information.  Varied payment frequencies. These amounts include Worker's Compensation, RSP Contributions, Health & Dental Premiums, Critical Illness Insurance & Owner's Life Insurance.	X	
GST	Based on estimated cash receipts from customers & disbursements to suppliers.	X	
Loans/capital Leases	Based on a stay of payments not being lifted.		X
Operating leases, misc. rentals	For leases classified by McLennan Ross as operating leases.  Based on a combination of invoices	X	

	paid and lease contract amounts.		
Supplier payments	Based on a combination of actual expenditures, historical expenditures adjusted for revenue projections & historical expenditures.  Includes: Gas & Oil, Insurance, tire expense, freight Expense, materials, subcontractors, training, office supplies, telephone and licenses & fees.	X	
Repairs & Maintenance	Based on actual results for previous years, as well as current revenue projections. The amount forecasted will only keep the fleet at its current state. Major repairs & maintenance will only be made on equipment that will generate short term revenues.	X	
Restructuring costs	Restructuring amounts for Chief Restructuring Advisor and his counsel, the Monitor and its counsel, management's advisors, Ernst and Young, the bank's advisors and corporate counsel.	X	
Interest on DIP/ Operating loans	Based on average estimated balances.  Interest is calculated at RBC Prime + 5% (7.25%)	X	
Interest on EX1900	Based on monthly balance.  Interest is calculated at RBC Prime + 5% (7.25%)	X	
Payments on new EX1900	Based on payments stipulated in contract	X	
Fund transfer for true lease/capital lease disagreement	Based on leases that are in dispute with respect to their classification.		X
Miscellaneous (unplanned expenses)	Estimate based on historical costs and management estimates of requirements during this period.		X

# Appendix C

SUMMARY OF DISPUTED LEASES

Effective date of stay of proceedings		01-Apr-10			Additional
Account #	Lessor	Monthly Payment (before GST)	Monthly Payment (after GST)	Overpayment (Note 1)	amount to be put Intrust
26020	Caterpillar Financial (AIG)	\$ 21,372.84	\$ 22,441.48	\$ -	\$ 22,441.48
26021	Caterpillar Financial (AIG)	\$ 21,372.84	\$ 22,441.48	\$ -	\$ 22,441.48
26024	Caterpillar Financial	\$ 28,397.86	\$ 29,817.75	\$ -	\$ 29,817.75
26035	Concentra Financial	\$ 35,224.79	\$ 36,986.03	\$ -	\$ 36,986.03
26049	AIG Commercial Equipment	\$ 160,185.00	\$ 168,194.25	\$ -	\$ 168,194.25
26065	Alter Moneta Corporation	\$ 26,777.34	\$ 28,116.21	\$ -	\$ 28,116.21
26207	De Lage Landen Financial Services	\$ 150,000.00	\$ 157,500.00	\$ -	\$ 157,500.00
26172	Bodkin Leasing Corporation	\$ 1,048.01	\$ 1,100.41	\$ -	\$ 1,100.41
26173	Bodkin Leasing Corporation	\$ 1,048.01	\$ 1,100.41	\$ -	\$ 1,100.41
26222	Scott Capital Group Inc.	\$ 10,469.00	\$ 10,992.45	\$ -	\$ 10,992.45
26225	Scott Capital Group Inc.	\$ 18,183.33	\$ 19,092.50	\$ -	\$ 19,092.50
26228	Concentra Financial	\$ 12,882.56	\$ 13,526.69	\$ -	\$ 13,526.69
26231	Scott Capital Group Inc.	\$ 5,295.00	\$ 5,559.75	\$ -	\$ 5,559.75
26232	Scott Capital Group Inc.	\$ 16,717.20	\$ 17,553.06	\$ -	\$ 17,553.06
26233	Kempenfelt Leasing	\$ 4,122.95	\$ 4,329.10	\$ -	\$ 4,329.10
26234	Kempenfelt Leasing	\$ 2,061.48	\$ 2,164.55	\$ -	\$ 2,164.55
26235	Kempenfelt Leasing	\$ 2,061.48	\$ 2,164.55	\$ -	\$ 2,164.55
26236	Kempenfelt Leasing	\$ 2,979.99	\$ 3,128.99	\$ -	\$ 3,128.99
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00	\$ -	\$ 94,500.00
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00	\$ -	\$ 94,500.00
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00	\$ -	\$ 94,500.00
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00	\$ -	\$ 94,500.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00	\$ -	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00	\$ -	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00	\$ -	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00	\$ -	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00	\$ -	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00	\$ -	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00	\$ -	\$ 168,000.00
	Finning (Canada)	\$ 50,000.00	\$ 52,500.00	\$ -	\$ 52,500.00
	Finning (Canada)	\$ 50,000.00	\$ 52,500.00	\$ -	\$ 52,500.00
	Finning (Canada)	\$ 88,000.00	\$ 92,400.00	\$ -	\$ 92,400.00
	Wajax Industries	\$ 16,500.00	\$ 17,325.00	\$ -	\$ 17,325.00
	Wajax Industries	\$ 30,000.00	\$ 31,500.00	\$ -	\$ 31,500.00
	Wajax Industries	\$ 40,000.00	\$ 42,000.00	\$ -	\$ 42,000.00
RE000001	SMS Equipment Inc.	\$ -	\$ -	\$ (2,348.50)	\$ (2,348.50)
RE000002	SMS Equipment Inc.	\$ -	\$ -	\$ (2,348.50)	\$ (2,348.50)
RE000003	SMS Equipment Inc.	\$ -	\$ -	\$ (2,348.50)	\$ (2,348.50)
RE000004	SMS Equipment Inc.	\$ -	\$ -	\$ (2,348.50)	\$ (2,348.50)
RE000005	SMS Equipment Inc.	\$ -	\$ -	\$ (2,348.50)	\$ (2,348.50)
RE000006	SMS Equipment Inc.	\$ -	\$ -	\$ (2,348.50)	\$ (2,348.50)
RE000007	SMS Equipment Inc.	\$ -	\$ -	\$ (5,145.00)	\$ (5,145.00)
RE000008	SMS Equipment Inc.	\$ -	\$ -	\$ (1,809.50)	\$ (1,809.50)
RE000009	SMS Equipment Inc.	\$ -	\$ -	\$ (1,809.50)	\$ (1,809.50)
RE000010	SMS Equipment Inc.	\$ -	\$ -	\$ (1,809.50)	\$ (1,809.50)
RE000011	SMS Equipment Inc.	\$ -	\$ -	\$ (1,809.50)	\$ (1,809.50)
RE000012	SMS Equipment Inc.	\$ -	\$ -	\$ (1,809.50)	\$ (1,809.50)
RE000013	SMS Equipment Inc.	\$ -	\$ -	\$ (1,809.50)	\$ (1,809.50)
RE000014	SMS Equipment Inc.	\$ -	\$ -	\$ (2,810.50)	\$ (2,810.50)

SUMMARY OF DISPUTED LEASES

Effective date of stay of proceedings		01-Apr-10			Additional
Account #	Lessor	Monthly Payment (before GST)	Monthly Payment (after GST)	Overpayment (Note 1)	amount to be put intrust
RE000015	SMS Equipment Inc.	\$ -	\$ -	\$ (2,810.50)	\$ (2,810.50)
RE000016	SMS Equipment Inc.	\$ -	\$ -	\$ (2,810.50)	\$ (2,810.50)
RE000017	SMS Equipment Inc.	\$ -	\$ -	\$ (2,810.50)	\$ (2,810.50)
RE000018	SMS Equipment Inc.	\$ -	\$ -	\$ (2,810.50)	\$ (2,810.50)
RE000019	SMS Equipment Inc.	\$ -	\$ -	\$ (2,810.50)	\$ (2,810.50)
RE000096	SMS Equipment Inc.	\$ -	\$ -	\$ (2,002.00)	\$ (2,002.00)
	Heavy Metal Equipment Rentals (Dutchmen Equipment)		\$ -	\$ -	\$ -
26237	Scott Capital Group Inc.	\$ 7,190.00	\$ 7,549.50	\$ -	\$ 7,549.50
	National Leasing Group Inc.	\$ 4,642.69	\$ 4,874.82	\$ -	\$ 4,874.82
	Heavy Metal Equipment Rentals (Dutchmen Equipment)	\$ 20,000.00	\$ 21,000.00	\$ -	\$ 21,000.00
		<u>\$ 1,986,532.37</u>	<u>\$ 2,085,858.99</u>	<u>\$ (48,958.00)</u>	<u>\$ 2,036,900.99</u>

Note 1: Even though all of the SMS Equipment leases had a termination date between April 18 and June 4, 2010, CHC continued to transfer funds in trust after the termination date of those leases. Consequently, an adjustment was made to take into consideration the overpayments made in the previous months.

Action No. 1003 05560  
Bankruptcy Action No.: 24-115359

2010

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IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF EDMONTON

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IN THE MATTER OF THE  
*BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND THE  
*COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF COW HARBOUR  
CONSTRUCTION LTD.

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TWELFTH REPORT TO THE COURT  
SUBMITTED BY DELOITTE & TOUCHE INC.  
IN ITS CAPACITY AS MONITOR

July 5, 2010

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